



## 5 ways the Inflation Reduction Act could save you money

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The measure promises lower health-care and energy costs for American families. Here's what that could mean for you.

The Inflation Reduction Act is Congress's latest effort to usher in a new era of greener climate change policy. But for millions of Americans, the bill could mean big savings when making big-ticket green purchases, as well as lower energy and health-care costs and even faster tax filings. Although President Biden is set to sign the Inflation Reduction Act on Tuesday, most Americans won't see any money saved — including on inflation, despite the bill's name — anytime soon.

Champions of the sprawling law say it will improve Americans' finances while reducing the federal deficit by \$300 billion. Critics say it will lead to higher taxes, particularly for corporations, and will be ineffective in bringing down decades-high inflation.

"Broadly speaking, this is a bill with a lot of elements," said Marc Goldwein, senior policy director for the Committee for a Responsible Federal Budget, a group that advocates for lower deficits. "Most households will not see much change right away, but some will see real reductions in what they're paying for things like health care and energy."

Here's a look at how the Inflation Reduction Act could affect your family's finances, both now and in the future.

### 1. Lower energy costs

Lawmakers' top goal was to create a new framework paving the way for more clean and sustainable energy sources. To that end, it includes \$80 billion in rebates, including as much as \$14,000 in money back, helping households pay for green-energy upgrades. Subsidies cover a range of improvements, including efficient heat pumps (\$8,000 back per household), electric water heaters (\$1,750) and electric cooktops (\$840).

Homeowners can also receive a 30 percent credit for installing solar panels.

"There will be substantial tax credits to help transition to clean energy: rebates for people who buy electric vehicles, who put solar panels on their house, who make other kinds of energy efficiency-enhancing improvements to their home," said Heidi Shierholz, president of the Economic Policy Institute, a left-leaning think tank. "It will make it easier for families to actually make these clean-energy changes."

Families who use funding from the bill to switch to greener technology could save as much as \$1,840 a year on energy costs, according to estimates from the nonprofit Rewiring America.

## **2. Tax credits for switching to electric vehicles**

The new round of green-energy incentives includes a much-hyped \$7,500 credit for people who buy new electric vehicles beginning next year.

“The direct benefits won’t be immediate, but there is a lot here, starting with savings if you’re purchasing an electric vehicle,” said William Hoagland, senior vice president at the Bipartisan Policy Center.

Critically, the legislation also offers a \$4,000 credit for people who buy used electric cars, which could be an important step in nudging more Americans away from gas-guzzling vehicles, [Joe Britton](#), executive director of the Zero Emission Transportation Association, told The Washington Post.

“That will be one of the really kind of unseen catalysts,” he said. “Because once you get behind the wheel of an EV, you’re 95 percent likely to never go back. ... Exposing Americans of all income levels to electrification will have a really positive impact on our ability to transition.”

## **3. Faster tax refunds**

The most immediate benefit for American families, according to experts: faster tax refunds and more responsive IRS agents, thanks to \$80 billion in additional funding to the Internal Revenue Service over 10 years.

“Folks will get their phone calls returned a lot quicker,” Hoagland said. “And for individuals still waiting for their 2021 or 2022 tax returns to be processed — that’s likely to happen a lot faster, too.”

The legislation also includes the framework for a program that would make it possible for Americans to file their annual taxes directly with the IRS free of charge. That could save Americans 2 billion hours and \$30 billion in tax-filing fees every year, according to Emily DiVito, a senior program manager at the Roosevelt Institute.

“A direct free file option could transform the experience millions of people have filing their taxes—and therefore improve their experience interfacing with their government,” DiVito wrote in [a recent blog post](#), noting that this would be most beneficial to low-income families.

## **4. Cheaper prescription medications for seniors**

It’ll take a few years, but Medicare recipients will eventually see lower costs on some prescriptions.

The new legislation allows Medicare to negotiate prices with pharmaceutical companies, beginning with 10 prescription drugs in 2026 and 20 by 2029.

“The [cost reductions] are very piecemeal,” said Jeffrey Singer, a general surgeon and senior fellow at the Cato Institute, a libertarian think tank. “They take place a little bit at a time, but it’s going to make the Medicare recipient happier.”

More immediately, pharmaceutical companies will have to pay rebates starting next year if they raise medication prices faster than inflation. There are also other perks in store for Medicare

recipients: Out-of-pocket costs will be capped at \$2,000 a year starting in 2025; and insulin costs for people with diabetes will max out at \$35 a month.

“If you’re on Medicare, your premiums and drug prices will start going down — not all at once and not immediately, but you’ll see these costs rising more slowly than they otherwise would,” said Goldwein of the Committee for a Responsible Federal Budget.

### **5. Lower prices on other items — maybe, eventually**

Economists say it’s unlikely the Inflation Reduction Act will reduce inflation, at least anytime soon.

There’s a chance the legislation could eventually tamp down prices by about 0.1 percentage points in about five years, according to [an analysis](#) by the University of Pennsylvania’s Penn Wharton Budget Model. But even then, analysts note they have “a low level of confidence that the legislation would have any measurable impact on inflation.”

There’s also a possibility that some of the legislation’s increased funding for farmers and rural development programs could help bring down prices for crops like corn and soybeans within a year or two, according to Hoagland of the Bipartisan Policy Center.

Households across the country have been dealing with fast-rising prices — which are up about 8.5 percent from a year ago — on a range of essentials, including groceries, gas and housing. Inflation eased slightly in July but is still hovering near 40-year highs. The Federal Reserve has been rapidly raising interest rates in the hope of slowing the economy enough to bring down prices.